

Children's Initiatives Fund

KEY Fund

Since FY 2000, proceeds from the national settlement with tobacco companies have been deposited in a trust fund, the Kansas Endowment for Youth (KEY) Fund. Policymakers at that time determined that settlement proceeds would be used for programs that benefit children. Money in this endowment fund was to be invested and managed by KPERS to provide ongoing earnings that may be used for children's programs as well. Unfortunately, proceeds from the settlement have been used as fast as they have been received, and no true trust fund balance has ever been established that could serve as a children's program endowment.

In that first year the state received \$68.2 million in tobacco settlement payments. From FY 2001 through FY 2012, a total of \$644.5 million was received. Those monies were either transferred to the State General Fund, particularly in difficult budget times, or spent from the Children's Initiatives Fund through transfers from the KEY Fund.

Recent legal action by the tobacco companies participating in the settlement agreement put the state's revenue stream at risk. The participating companies claimed that Kansas, as well as a majority of other states in the agreement, did not properly

enforce that portion of the settlement agreement that mandated protection of market share for the participating companies against those not participating. An arbitration panel was in place to rule on the companies' action; however, another attempt at resolving the dispute is now underway.

Announced in late December, 17 states, including Kansas, have reached agreement in principle with cigarette manufacturers so that states would receive their share of disputed payments and manufacturers would receive credits against future payments. The arbitration panel must approve the agreement and additional details must be negotiated. For the states that do not join, arbitration will continue.

In light of this agreement, the Governor's budget for children's programs financed by the Children's Initiatives Fund is held flat, but target funds to his goal that Kansas fourth graders read at grade level.

In both FY 2014 and FY 2015, the current estimates for payments are \$51.5 million and \$52.0 million, respectively. The level of uncertainty around the amount and timing of the estimated payments, however, is greater than is accustomed for building budgets that agencies must use to keep programs functioning. As additional information is revealed, budget estimates may have to be readjusted.

Kansas Endowment for Youth Fund Summary

| | FY 2012 Actual | FY 2013 Gov Est. | FY 2014 Gov Rec. | FY 2015 Gov Rec. |
|-----------------------------------|-------------------|---------------------|---------------------|---------------------|
| Beginning Balance | \$ 47,894 | \$ 1,912,844 | \$ 1,165,000 | \$ 419,554 |
| Released Encumbrances | 71 | -- | -- | -- |
| Adjusted Balance | \$ 47,965 | \$ 1,912,844 | \$ 1,165,000 | \$ 419,554 |
| Revenues | 57,985,066 | 55,800,000 | 51,500,000 | 52,000,000 |
| Transfer Out to CIF | (55,430,489) | (55,800,000) | (51,500,000) | (51,600,000) |
| Transfer Out to Attorney General | (490,593) | (485,000) | (485,000) | (485,000) |
| Total Available | \$ 2,111,949 | \$ 1,427,844 | \$ 680,000 | \$ 334,554 |
| Children's Cabinet Admin. Expend. | 199,105 | 262,844 | 260,446 | 261,589 |
| Ending Balance | \$ 1,912,844 | \$ 1,165,000 | \$ 419,554 | \$ 72,965 |

Children's Initiatives Fund Summary

| | FY 2012 Actual | FY 2013 Gov Est. | FY 2014 Gov Rec. | FY 2015 Gov Rec. |
|-------------------------------------|-------------------|---------------------|---------------------|---------------------|
| Beginning Balance | \$ (4,306,166) | \$ 222,095 | \$ 222,757 | \$ 149,154 |
| Released Encumbrances | 83,680 | -- | -- | -- |
| Adjusted Balance | \$ (4,222,486) | \$ 222,095 | \$ 222,757 | \$ 149,154 |
| Revenues: | | | | |
| Transfer In from KEY Fund | 55,435,489 | 55,800,000 | 51,500,000 | 51,600,000 |
| Transfer In from State General Fund | 6,700,000 | -- | -- | -- |
| Recovery of Prior Year Expenses | (43,851) | -- | -- | -- |
| Total Available | \$ 57,869,152 | \$ 56,022,095 | \$ 51,722,757 | \$ 51,749,154 |
| Expenditures | 57,647,057 | 55,799,338 | 51,573,603 | 51,573,298 |
| Ending Balance | \$ 222,095 | \$ 222,757 | \$ 149,154 | \$ 175,856 |

On July 1, 2000, \$20.3 million from the Endowment Fund repaid the State General Fund for children's programs begun in FY 2000. The next \$70.7 million was transferred directly from the KEY Fund to the State General Fund. The next \$30.0 million was transferred to the Children's Initiatives Fund. In the years FY 2002 through FY 2011, a combination of transfers out to the CIF and the State General Fund were made.

The Governor's recommendation for FY 2013 follows the Legislature's approved budget for a transfer from the KEY fund to the CIF of \$55.8 million. For FY 2014, the Governor recommends a transfer of \$51.5 million. The FY 2014 recommendation also includes \$260,446 for administrative expenditures of the Children's Cabinet from the KEY fund. The Attorney General also has administrative expenses from the KEY Fund recommended at \$485,000 in FY 2014. This same pattern is maintained for the out year. The table on the first page of this section summarizes the Kansas Endowment for Youth Fund for FY 2012 through FY 2015.

Cashflow problems have plagued the KEY Fund and Children's Initiatives Fund throughout the last two fiscal years. At issue is the timing between when the Legislature determines the budget and the receipt of the tobacco settlement payment. By the time the state receives its payment, less than one-quarter of the fiscal year remains, at which point it is difficult to make adjustments in current year spending should the

payment be less than was estimated. Given the recent announcement, it is hoped this will not recur.

Fund Summary

The table above summarizes the Children's Initiatives Fund for FY 2012 through FY 2015. For FY 2013, the Governor recommends \$55.8 million in expenditures for children's programs from this funding source.

For both FY 2014 and FY 2015, the Governor recommends total expenditures of \$51.6 million from the Children's Initiatives Fund. Each of the programs recommended is listed in the table on the next page and described in detail in this section. In addition, Schedule 2.3 at the back of this volume provides expenditure data by program and by agency for FY 2013, FY 2014 and FY 2015.

FY 2014 & FY 2015 Recommendations

Each of the programs funded through the Children's Initiatives Fund is described below. Budget recommendations were developed after consultation with the Children's Cabinet who administers the CIF and the Attorney General's Office who ensures compliance with terms of the settlement agreements.

Department for Aging & Disability Services

Children's Mental Health Initiative. The Governor recommends \$3.8 million for the Children's Mental Health Waiver Program in FY 2014 and FY 2015. The program expands community-based mental health services for children with severe emotional disturbances to provide early intervention, help in maintaining family custody, and prevention of more costly and restrictive treatment. The funding for this waiver is included in the mental health Prepaid Ambulatory Health Plan.

Department for Children & Families

Early Childhood Block Grants. The Governor recommends \$13.5 million in FY 2014 and FY 2015 for the Early Childhood Block Grant (ECBG) administered by the Children's Cabinet. The funds are used for grants to school districts, child care centers and homes, Head Start sites, and community-based programs that provide research-based child development services for at-risk infants, toddlers and their families, and preschool for three- and four-year olds. The grant process is driven by accountability measures and research-based programming, as well as a focus on at risk children and underserved areas. At least thirty percent of the block grant funds are set aside for programs geared to at-risk children ages birth to three, and \$50,000 is set aside for training in the diagnosis of autism.

Kansas Reads to Succeed. The Governor recommends \$6.0 million from the Children's Initiatives Fund a program that will ensure that Kansas children learn to read so that they can spend the rest of their lives reading to learn. The Governor is committed to increasing the percentage of 4th graders reading at grade level in our state. The plan includes a statewide retention policy for 3rd graders who are unable to read at grade level. This \$6.0 million will support district level literacy prevention and intervention programs for young children. In addition, \$1.0 million from the Children's Initiatives Fund is recommended for funding awards for schools that achieve significant improvement in 4th grade reading.

Child Care Services. The Governor recommends \$5.0 million for child care services. Child care services are available to parents participating in DCF

job preparation programs or family preservation services, children with disabilities, and parents in the first year of employment after leaving welfare.

Family Preservation. The Governor recommends a total of \$10.2 million for family preservation services, including \$2.2 million from the Children's Initiatives Fund. Family Preservation provides services to families where there is a high likelihood that a child may be removed from the home.

Child Care Quality Initiative. The Governor recommends \$500,000 from the Children's Initiatives Fund to continue the Child Care Quality Initiative administered by the Children's Cabinet. The program enhances infant services to improve quality and increase the availability of care for infants.

Children's Cabinet Accountability Fund. The Governor recommends \$400,000 for the Children's Cabinet Accountability Fund for FY 2014 and FY 2015. This fund is used to fund an evaluation process to ensure that tobacco settlement monies are being targeted effectively and to assess programs and services that are being funded. The Children's Cabinet uses the results of the evaluation process to make its recommendations.

Early Head Start. The purpose of this program is to enhance children's development, enable parents to be better care givers and teachers, and help parents meet their own goals of self-sufficiency. Early Head Start provides comprehensive early intervention services, including health care, nutrition, social services, parental involvement, and child care. The Governor recommends \$10.2 million from all funding sources in FY 2014 and FY 2015. The Governor's recommendation includes \$70,000 from the Children's Initiatives Fund.

Department of Health & Environment— Health

Infants & Toddlers Program. Expenditures of \$5.7 million from the Children's Initiative Fund will be used as a match for \$3.9 million in federal funding for 37 local networks that work with infants and toddlers who have developmental delays. Approximately, 9,438 infants and children will be served by the program in FY 2014 and 9,816 will be served in FY 2015.

| Children's Initiatives Fund | | |
|---|--------------|--------------|
| Program or Project | FY 2014 | FY 2015 |
| Department for Aging & Disability Services Children's Mental Health Initiative | 3,800,000 | 3,800,000 |
| Department for Children & Families | | |
| Early Childhood Block Grants | 13,500,000 | 13,499,695 |
| ECBG--Autism Diagnosis | 50,000 | 50,000 |
| Read to Succeed | 6,000,000 | 6,000,000 |
| Read to Succeed Incentive Program | 1,000,000 | 1,000,000 |
| Child Care | 5,033,679 | 5,033,679 |
| Family Preservation | 2,154,357 | 2,154,357 |
| Quality Initiative for Infants & Toddlers | 500,000 | 500,000 |
| Children's Cabinet Accountability Fund | 400,000 | 400,000 |
| Early Headstart | 70,000 | 70,000 |
| Total--Dep't for Children & Families | \$28,708,036 | \$28,707,731 |
| Department of Health & Environment | | |
| Infants & Toddlers | 5,700,000 | 5,700,000 |
| Smoking Prevention | 946,671 | 946,671 |
| Healthy Start/Home Visitor | 237,914 | 237,914 |
| SIDS Network Grant | 96,374 | 96,374 |
| Newborn Hearing Aid Loan Program | 47,161 | 47,161 |
| Total--Dep't of Health & Environ. | \$ 7,028,120 | \$ 7,028,120 |
| Department of Education | | |
| Parent Education | 7,237,635 | 7,237,635 |
| Pre-K Program | 4,799,812 | 4,799,812 |
| Total--Department of Education | \$12,037,447 | \$12,037,447 |
| Total | \$51,573,603 | \$51,573,298 |

Smoking Prevention Grants. Expenditures of \$946,671 are recommended by the Governor for FY 2014 and FY 2015. These grants are targeted for tobacco use prevention programs statewide. The funding is distributed as grants to non-profit organizations for existing programs or used to implement new prevention programs.

Healthy Start/Home Visitor. The Governor recommends expenditures of \$237,914 in FY 2014 and FY 2015 for the program that focuses on prenatal care and follow-up visits in the home. The Healthy Start Program is part of the Division's Maternal & Infant Health/Child Health Program that will serve 51,000 children and 8,000 mothers in FY 2014 and FY 2015.

SIDS Network Grant. The Governor recommends FY 2014 and FY 2015 expenditures of \$96,374 for the Sudden Infant Death Syndrome (SIDS) Network of Kansas. The Network is a non-profit statewide support organization to help families, relatives,

friends, and all who are affected by the devastating sudden death of an infant. The Network also focuses on encouraging SIDS prevention activities and risk reduction methods to improve the health and survival of infants and children.

Newborn Hearing Aid Loan Program. The Governor recommends expenditures of \$47,161 in both FY 2014 and FY 2015 for the program that lends hearing aids to eligible children to ensure that children under the age of 36 months will have maximum access to auditory input during the critical period of oral language development.

Department of Education

Parent Education. The Parent Education Program provides expectant parents and parents of infants and toddlers with advice and resource materials related to parenting skills, positive approaches to discipline, and development of self-esteem. The Governor recommends continued funding for the state's program to assist parents of younger children. For FY 2013, FY 2014 and FY 2015, the Governor recommends expenditures of \$7,237,635 each year, all from the Children's Initiative Fund. However, in light of the state's budget challenges, the Governor recommends changing the program beginning in FY 2014 to target low-income Kansans to allow those who can afford the program to pay for the service if they choose to access it.

Pre-K Program. This program prepares four-year-olds for success in school. All classrooms in the program are required to meet teacher qualification requirements, implement a research-based curriculum, maintain low teacher to child ratios, complete at least 15 hours of teacher training annually, and provide referrals to additional community services for families that need them. For FY 2013, FY 2014 and FY 2015, the Governor recommends expenditures of \$4,799,812 each year, all from the Children's Initiative Fund.

Expanded Lottery Act Revenues Fund

The Governor proposes targeting the resources of the Expanded Lottery Act Revenues Fund to support the reduction of state debt, increase the number of engineering graduates from the state's universities, and to make KPERS payments.

Fund Summary

The Expanded Lottery Act Revenues Fund (ELARF) is capitalized through transfers from the Kansas Lottery with net gaming revenue collected from state-owned destination casinos and from electronic gaming machines at parimutuel racetracks authorized by the Kansas Expanded Lottery Act enacted in 2007.

The Kansas Expanded Lottery Act requires racetrack gaming facility managers to pay a one-time privilege fee of \$2,500 per electronic gaming machine placed at each racetrack gaming facility. Revenue from electronic gaming machines at racetrack gaming facilities is distributed by a formula detailed in the Kansas Expanded Lottery Act. Currently, no racetrack gaming facility manager has entered into a contract with the Kansas Lottery to place electronic gaming machines at a parimutuel racetrack and no parimutuel racetrack is expected to open with electronic gaming machines in FY 2013, FY 2014, or FY 2015.

The first state-owned casino opened in Dodge City in December 2009. The casino in Sumner County opened in December 2011 and the casino in Wyandotte County opened in February 2012. At the time this report was prepared, it appeared unlikely that

a gaming facility manager will pay the \$25.0 million privilege fee to place a gaming facility in either Crawford or Cherokee County in FY 2013, FY 2014, or FY 2015.

A meeting on expanded gaming revenues was held in October 2012 to revise the previous estimates for FY 2013 and to develop initial estimates for FY 2014. Estimates for planning purposes were also developed for FY 2015 and beyond. The distribution of gaming facility revenue is based on a formula detailed in the Kansas Expanded Lottery Act and by the contract between each gaming facility manager and the Kansas Lottery.

Generally, the ELARF will receive 22.0 percent of the revenue, the Problem Gambling and Addictions Grant Fund (PGAGF) will receive 2.0 percent, cities and counties where gaming facilities are located will receive a total of 3.0 percent, and gaming facility managers will receive 73.0 percent. However, revenue distributions will vary by each gaming facility based on each contract that provides additional revenues to the ELARF out of the gaming facility manager's share of revenue when certain revenue thresholds are reached. The table below details where these dollars will go.

The state's three gaming facilities are estimated to generate a total of \$359.1 million in gaming revenue in FY 2013, which is a decrease of \$38.5 million from the previous estimate made in April 2012. The new estimate reflects continued revenue growth at the casino in Sumner County, which is offset by lower revenue estimates for the casinos in Dodge City and

Distribution of Gaming Facility Revenue

| | FY 2012 Actual | FY 2013 Gov. Est. | FY 2014 Gov. Rec. | FY 2015 Gov. Rec. |
|-------------------------------------|-------------------|----------------------|----------------------|----------------------|
| Expanded Lottery Act Revenues Fund | 42,106,175 | 79,290,000 | 85,524,000 | 89,480,000 |
| Problem Gambling & Addiction Grants | 3,827,834 | 7,182,000 | 7,718,000 | 8,064,000 |
| Cities & Counties | 5,920,954 | 10,773,000 | 11,577,000 | 12,096,000 |
| Gaming Facility Managers | 144,076,535 | 261,855,000 | 281,081,000 | 293,560,000 |
| Total | \$ 195,931,498 | \$ 359,100,000 | \$ 385,900,000 | \$ 403,200,000 |

Wyandotte County. Gaming revenues for FY 2013 are estimated to be distributed as follows: the ELARF is estimated to receive \$79,290,000, the PGAGF will receive \$7,182,000, cities and counties where gaming facilities are located will receive a total of \$10,773,000, and gaming facility managers will receive \$261,855,000.

The ELARF estimate was decreased by a total of \$8,432,000 for FY 2013, from \$87,722,000 to \$79,290,000. A total of \$86,150,016 in ELARF expenditures and transfers were authorized by the 2012 Legislature for FY 2013 creating a shortfall of \$6,860,016. To eliminate this shortfall, the Governor recommends eliminating a planned \$5.0 million transfer from the ELARF to the State General Fund and also recommends transferring \$2.0 million from the State General Fund to the ELARF. The Governor also recommends lapsing \$23 from the Department of Administration to correct the amount needed for debt service payments. Under the Governor's recommendations, the ELARF is estimated to have a balance of \$140,007 at the end of FY 2013.

In FY 2014, the state's three gaming facilities are estimated to generate a total of \$385.9 million in gaming revenue, which will be distributed as follows: the ELARF is estimated to receive \$85,524,000, the PGAGF will receive an estimated \$7,718,000, cities and counties where gaming facilities are located will receive a total of \$11,577,000, and gaming facility managers are estimated to receive \$281,081,000.

The state's three gaming facilities are estimated to generate a total of \$403.2 million in gaming revenue in FY 2015, which will be distributed as follows: the ELARF is estimated to receive \$89,480,000, the PGAGF will receive an estimated \$8,064,000, cities and counties where gaming facilities are located will receive a total of \$12,096,000, and gaming facility managers are estimated to receive \$293,560,000,

Recommendations

The Governor's recommendations on how to use the ELARF for FY 2014 and FY 2015 are summarized in the table on this page and then described in detail by agency and by program. They are also listed in Schedule 2.6 at the back of this report. Under the Governor's recommendations, the ELARF will have a \$23 balance at the end of both FY 2014 and FY 2015.

Department of Administration

Public Broadcasting Bonds. To make the debt service payment for the digital conversion of public television and radio stations, the Governor recommends expenditures from the ELARF of \$238,332 in FY 2014 and \$234,769 for FY 2015. The principal amount for both FY 2014 and FY 2015 is \$90,000 while the interest amount is \$148,332 for FY 2014 and \$144,769 for FY 2015.

Expanded Lottery Act Revenues Fund Summary

| | FY 2012 Actual | FY 2013 Gov. Est. | FY 2014 Gov. Rec. | FY 2015 Gov. Rec. |
|------------------------------------|-------------------|----------------------|----------------------|----------------------|
| Beginning Balance | \$ -- | \$ -- | \$ 140,007 | \$ 23 |
| Revenues: | | | | |
| Gaming Facility Revenue | 42,106,175 | 79,290,000 | 85,524,000 | 89,480,000 |
| Transfer from State General Fund | -- | 2,000,000 | -- | -- |
| Total Available | \$ 42,106,175 | \$ 81,290,000 | \$ 85,664,007 | \$ 89,480,023 |
| Expenditures & Transfers Out: | | | | |
| Reduction of State Debt | -- | 70,649,993 | 37,651,984 | 39,490,000 |
| State Infrastructure Improvements | 1,696,150 | -- | -- | -- |
| University Engineering Initiative | -- | 10,500,000 | 10,500,000 | 10,500,000 |
| KPERS Actuarial Liability | -- | -- | 37,512,000 | 39,490,000 |
| Transfer to SGF | 40,410,025 | -- | -- | -- |
| Total Expenditures & Transfers Out | \$ 42,106,175 | \$ 81,149,993 | \$ 85,663,984 | \$ 89,480,000 |
| Ending Balance | \$ -- | \$ 140,007 | \$ 23 | \$ 23 |

Statehouse Renovations—Debt Service. To pay a portion of the Statehouse debt service improvement bonds, the Governor recommends ELARF expenditures of \$1,274,501 in FY 2014 and \$3,119,748 in FY 2015. Of the FY 2014 amount, \$1,161,844 is for principal and \$112,657 is for interest. For FY 2015, the principal payment will be \$1,550,000 and the interest payment will be \$1,569,748.

| Expanded Lottery Act Revenues Fund | | |
|---|----------------|----------------|
| Program or Project | FY 2014 | FY 2015 |
| Reduction of State Debt | | |
| Department of Administration | | |
| Public Broadcasting Bonds | 238,332 | 234,769 |
| Statehouse Renovation Bonds | 1,274,501 | 3,119,748 |
| KPERS Pension Obligation Bonds | 36,139,151 | 36,135,483 |
| Total Department of Administration | \$ 37,651,984 | \$ 39,490,000 |
| Total Reduction of State Debt | \$ 37,651,984 | \$ 39,490,000 |
| University Engineering Initiative | | |
| Department of Commerce | | |
| Kan-Grow Engineering Fund-KSU | 3,500,000 | 3,500,000 |
| Kan-Grow Engineering Fund-KU | 3,500,000 | 3,500,000 |
| Kan-Grow Engineering Fund-WSU | 3,500,000 | 3,500,000 |
| Total Department of Commerce | \$ 10,500,000 | \$ 10,500,000 |
| Total University Engineering Initiative | \$ 10,500,000 | \$ 10,500,000 |
| KPERS Actuarial Liability | | |
| Department of Education | | |
| KPERS School Employer Contribution | 37,512,000 | 39,490,000 |
| Total KPERS Actuarial Liability | \$ 37,512,000 | \$ 39,490,000 |
| Total | \$ 85,663,984 | \$ 89,480,000 |

KPERS Pension Obligations Bonds—Debt Service. The Department of Administration is responsible for making the payments on the Kansas Public Employees Retirement System pension obligation bonds. The Governor recommends expenditures of \$36,139,151 in FY 2014 and \$36,135,483 in FY 2015. The principal

portion for FY 2014 is \$12,275,000 and \$12,835,000 for FY 2015. The interest portion is \$23,864,151 for FY 2014 and \$23,300,483 for FY 2015. All funding recommended by the Governor will come from the ELARF.

Department of Commerce

University Engineering Initiative Act. The 2011 Legislature approved ten years of funding for the University Engineering Initiative to increase the number of engineering graduates from the state's universities. Funding for this program will come from a transfer from the first \$10.5 million credited to the ELARF. The Department of Commerce manages this program to ensure that each of the universities involved generate the required \$1 for \$1 match from non-state sources. Kansas State University, University of Kansas, and Wichita State University will each receive \$3.5 million annually from this program that is also known as the Kan-Grow Engineering Program.

Department of Education

KPERS-School Employer Contribution. The total estimated state obligation for the KPERS-School employer contributions in FY 2014 totals \$365.8 million in FY 2014 and \$402.8 million in FY 2015. In prior years, the state's obligation has been paid from the State General Fund. However, beginning in FY 2014, the Governor recommends to utilize the ELARF for part of this payment to KPERS, which totals \$37,512,000 in FY 2014 and \$39,490,000 in FY 2015. The remaining obligation would still be funded by the State General Fund in both years.

Lottery Revenues

The State Gaming Revenues Fund (SGRF) is capitalized through monthly transfers from revenues generated by lottery ticket sales. Transfers are then made from the SGRF to funds dedicated to economic development initiatives, prison construction and maintenance projects, local juvenile detention facilities, treatment of pathological gamblers, and the State General Fund.

Fund Summary

According to statute, the first \$50.0 million of receipts is divided by a formula which first transfers \$80,000 to the Problem Gambling and Addictions Grant Fund (PGAGF). Then 85.0 percent of the rest is transferred to the Economic Development Initiatives Fund (EDIF), 10.0 percent to the Correctional Institutions Building Fund (CIBF), and 5.0 percent to the Juvenile Detention Facilities Fund (JDFF). Any receipts to the SGRF in excess of \$50.0 million must be transferred to the State General Fund in the fiscal year in which the revenues are recorded.

The Lottery transferred a total of \$72.0 million to the SGRF in FY 2012 and transfers to the SGRF are estimated to increase to \$74.5 million in FY 2013. Transfers to the SGRF are estimated to be \$73.5 million in FY 2014 and \$74.0 million in FY 2015. As shown in the table on this page, the transfer to the State General Fund is anticipated to be \$24.5 million in FY 2013, \$23.5 million in FY 2014, and \$24.0 million in FY 2015.

Lottery Proceeds

The Lottery is required to make a minimum monthly transfer of proceeds from the sale of lottery tickets to the SGRF of no less than \$4.5 million. Once a total of \$54.0 million is transferred to the SGRF during the fiscal year, the agency is no longer required to make the minimum monthly transfer; however, the agency is expected to meet or exceed the minimum transfer set for the entire fiscal year.

Beginning in FY 2014, the Governor recommends changing the minimum monthly transfer requirements

by requiring a minimum transfer of \$2.3 million in July and a minimum transfer of \$4.7 million in each of the remaining months of the fiscal year. Once a total of \$54.0 million is transferred to the SGRF during the fiscal year, the agency would not be required to make the minimum monthly transfers. This would provide the agency flexibility with its cashflow and allow the agency to transfer the maximum amount available at the end of the fiscal year after accounting for expenditures for prize payments and operating costs. The agency would no longer be required to withhold part of its final monthly transfer of the fiscal year to ensure that it can meet the minimum transfer requirement at the start of the subsequent fiscal year.

For FY 2013, the Governor recommends a minimum transfer of \$74.5 million to the SGRF based on estimated lottery ticket sales of \$246.5 million. Lottery ticket sales are estimated to be \$246.0 million in FY 2014 and \$247.0 million in FY 2015. Ticket sales in FY 2014 and FY 2015 are estimated to allow for SGRF transfers of \$73.5 million and \$74.0 million, respectfully.

The sales estimates above include veterans benefit games sales of \$4.5 million each year for FY 2013, FY 2014 and FY 2015. The proceeds of the veterans benefit lottery games are credited to the State General Fund and then distributed to the Commission on Veterans Affairs for veterans programs and to the Board of Regents for veterans scholarships as directed by state law. The Lottery estimates that \$1.2 million will be transferred to the State General Fund to benefit these programs in FY 2013, FY 2014, and FY 2015. The table below deals only with Lottery transfers made in the normal course of business. No recommendation is made beyond those represented in the table.

| Distribution of Lottery Proceeds (Dollars in Thousands) | | | | |
|---|-----------|-----------|-----------|-----------|
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
| Transfers Out: | | | | |
| EDIF | 42,432 | 42,432 | 42,432 | 42,432 |
| JDFF | 2,496 | 2,496 | 2,496 | 2,496 |
| CIBF | 4,992 | 4,992 | 4,992 | 4,992 |
| PGAGF | 80 | 80 | 80 | 80 |
| Total by Formula | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 |
| SGF | 22,000 | 24,500 | 23,500 | 24,000 |
| Total Transfers | \$ 72,000 | \$ 74,500 | \$ 73,500 | \$ 74,000 |

Economic Development Initiatives Fund

The Governor targets the limited resources of the Economic Development Initiatives Fund to support the economic, technological, and workforce development needs of the state.

reappropriated from FY 2012 and a total of \$5,434 in expenditures from various agencies for the undermarket salary increase that was approved by the 2012 Legislature. There were no other adjustments to the FY 2013 EDIF budget.

Fund Summary

The primary recipients of monies from the Economic Development Initiatives Fund (EDIF) are the Department of Commerce (\$14.1 million in both FY 2014 and FY 2015), the Department of Wildlife, Parks & Tourism (\$6.0 million in both FY 2014 and FY 2015), and the state's aviation sector through grants to Wichita State University (\$5.0 million in both FY 2014 and FY 2015).

The EDIF received lower than previously estimated interest earnings in FY 2012 because of historically low PMIB interest rates and lower idle fund balances. Released encumbrances provided additional unanticipated revenues to the EDIF in FY 2012 which made up for the shortfall from interest earnings. The FY 2013 EDIF approved budget reflects amounts

For FY 2014 and FY 2015, the Governor recommends that funding for the Kansas Qualified Biodiesel Fuel Producer Incentive Fund and State Affordable Airfare Fund be provided by the State Highway Fund instead of the EDIF. The annual transfer to the State Water Plan Fund to support water and conservation projects will be suspended for FY 2014 and FY 2015. The State Housing Trust Fund will receive \$2.0 million from the EDIF in both FY 2014 and FY 2015 to support state housing programs. The Governor recommends transferring \$10.2 million in FY 2014 and \$9.7 million in FY 2015 from the EDIF to the State General Fund to make those resources available for other priorities. A summary of the status of the EDIF is presented in the table below.

The EDIF is capitalized through transfers from the State Gaming Revenues Fund (SGRF). Currently, 85.0 percent of the receipts deposited in the State

Economic Development Initiatives Fund Summary

| | FY 2012 Actual | FY 2013 Gov. Est. | FY 2014 Gov. Rec. | FY 2015 Gov. Rec. |
|------------------------------------|-------------------|----------------------|----------------------|----------------------|
| Beginning Balance | \$ 4,500,496 | \$ 6,695,056 | \$ 462,220 | \$ 23,309 |
| Released Encumbrances | 422,827 | -- | -- | -- |
| Adjusted Balance | \$ 4,923,323 | \$ 6,695,056 | \$ 462,220 | \$ 23,309 |
| Revenues: | | | | |
| Lottery Revenues | 42,432,000 | 42,432,000 | 42,432,000 | 42,432,000 |
| Interest & Other Revenues | 74,147 | 150,000 | 100,000 | 100,000 |
| KEOIF Transfer | (1,250,000) | -- | -- | -- |
| Biodiesel Fuel Incentive Transfer | (200,000) | (200,000) | -- | -- |
| State Water Plan Fund Transfer | (2,000,000) | (2,000,000) | -- | -- |
| Manhattan Air Service Transfer | 2,000,000 | -- | -- | -- |
| State Affordable Airfares Transfer | (5,000,000) | (5,000,000) | -- | -- |
| State Housing Trust Fund Transfer | -- | (2,000,000) | (2,000,000) | (2,000,000) |
| State Fair Transfer | (159,207) | (400,000) | -- | -- |
| State General Fund Transfer | (5,785,830) | -- | (10,200,000) | (9,700,000) |
| Total Available | \$ 35,034,433 | \$ 39,677,056 | \$ 30,794,220 | \$ 30,855,309 |
| Expenditures | 28,339,377 | 39,214,836 | 30,770,911 | 30,840,190 |
| Ending Balance | \$ 6,695,056 | \$ 462,220 | \$ 23,309 | \$ 15,119 |

Gaming Revenues Fund, after the statutory transfer of \$80,000 is made to the Problem Gambling and Addictions Grant Fund, are transferred to the EDIF. By statute, the State Gaming Revenues Fund is limited to \$50.0 million each year, so transfers to the EDIF can reach \$42.4 million in a fiscal year. The EDIF is budgeted to receive \$42,432,000 from the SGRF in both FY 2014 and FY 2015.

“Other revenue” includes interest, transfers from other funds, reimbursement of loans, and recoveries from prior years. Carryover balances from one year to the next are largely the result of the agencies’ not spending all monies that were appropriated to them. Under the Governor’s recommendation, \$23,309 is anticipated to be left in the EDIF at the end of FY 2014 and \$15,119 is anticipated to be left in the EDIF at the end of FY 2015.

Recommendations

The Governor’s recommendations for FY 2014 and FY 2015 are summarized in the table on the next page and then described in detail by agency and by program. They are also listed in Schedule 2.4 at the back of this report for FY 2012 through FY 2015.

Department of Administration

Public Broadcasting Grants. The Governor recommends \$600,000 from the EDIF in both FY 2014 and FY 2015 for public broadcasting grants. The grants are used by public broadcasting stations for operating costs and the purchase of equipment. Funded by the EDIF in the past, these grants were most recently funded from the State General Fund and the Governor suggests moving them back.

Department of Commerce

The Governor recommends total EDIF expenditures of \$14,117,010 in FY 2014 and \$14,146,974 in FY 2015 for the Department of Commerce. The Department works to deliver the highest level of business development, workforce, and marketing services to build a healthy and expanding Kansas economy.

Operating Grant. The operating grant from the EDIF supports the Department of Commerce’s traditional programs, including the Kansas Industrial Training and Retraining programs in its Workforce Services Division and financing the business recruitment efforts of the Business and Community Development Division. The Governor recommends funding from the EDIF for the operating grant of \$9,197,764 in FY 2014 and \$9,224,870 in FY 2015.

Older Kansans Employment Program. The Governor recommends EDIF support of \$253,046 in FY 2014 and \$253,139 in FY 2015 for the Older Kansans Employment Program. This program is designed to provide Kansans 55 and over with an employment placement service. The emphasis is on providing permanent full-time or part-time jobs in the private sector.

Rural Opportunity Zones Program. The Rural Opportunity Zones Program attracts financial investment, business development, and job growth in

| Economic Development Initiatives Fund | | |
|--|--------------|--------------|
| Program or Project | FY 2014 | FY 2015 |
| Department of Administration | | |
| Public Broadcasting Grants | 600,000 | 600,000 |
| Department of Commerce | | |
| Operating Grant | 9,197,764 | 9,224,870 |
| Older Kansans Employment Program | 253,046 | 253,139 |
| Rural Opportunity Zones Program | 1,829,084 | 1,831,012 |
| Senior Community Service Employment | 8,071 | 8,100 |
| Strong Military Bases Program | 100,000 | 100,000 |
| Governor's Council of Economic Advisors | 186,062 | 186,205 |
| Innovation Growth Program | 1,567,983 | 1,568,648 |
| Creative Arts Industries Commission | 200,000 | 200,000 |
| Medicaid Reform Employment Incentive | 500,000 | 500,000 |
| Accelerate Entrepreneurship Program | 275,000 | 275,000 |
| Total--Department of Commerce | \$14,117,010 | \$14,146,974 |
| Board of Regents | | |
| Vocational Education Capital Outlay | 2,547,726 | 2,547,726 |
| Technology Innovation & Internship | 179,284 | 179,284 |
| EPSCoR Program | 993,265 | 993,265 |
| Community College Competitive Grants | 500,000 | 500,000 |
| Total--Board of Regents | \$ 4,220,275 | \$ 4,220,275 |
| Kansas State University | | |
| ESARP | 299,295 | 299,686 |
| Wichita State University | | |
| Aviation Training & Equipment | 4,981,537 | 4,981,537 |
| Department of Agriculture | | |
| Agriculture Marketing Program | 570,832 | 575,110 |
| Department of Wildlife, Parks & Tourism | | |
| Tourism Division | 2,110,842 | 2,116,334 |
| Parks Program | 3,871,120 | 3,900,274 |
| Total--Wildlife, Parks & Tourism | \$ 5,981,962 | \$ 6,016,608 |
| Total | \$30,770,911 | \$30,840,190 |

rural areas of the state. This program offers qualifying individuals that relocate from outside of the state to one of fifty counties that have been designated as a Rural Opportunity Zone to be exempted from paying state income taxes for up to five years and provides for student loan forgiveness. For FY 2014 and FY 2015, the Governor recommends funding from the EDIF for this program of \$1,829,084 and \$1,831,012, respectfully.

Senior Community Service Employment Program. The Governor recommends \$8,071 in FY 2014 and \$8,100 in FY 2015 from the EDIF for the Senior Community Service Employment Program. This program provides skill training through subsidized part-time employment for Kansans aged 55 and older who are at or below the poverty line.

Strong Military Bases Program. The Governor recommends \$100,000 from the EDIF for the Strong Military Bases Program in both FY 2014 and FY 2015. This program supports ongoing efforts of the Governor's Military Council to prevent the closure or downsizing of the state's military bases, which play an important role in the state's economy. This program will also focus on growing private sector industries in areas around the state's military bases and will be required to provide a local or private match to equal the state's commitment.

Governor's Council of Economic Advisors. The Governor recommends \$186,062 in FY 2014 and \$186,205 in FY 2015 from the EDIF to support the Governor's Council of Economic Advisors. The Council coordinates strategic planning and economic resources, evaluates state policies and agency performances, and conducts research on topics such as Kansas' basic industries, tax competitiveness, and regulatory structure.

Innovation Growth Program. The Innovation Growth Program operates the grant programs that were previously managed by the Kansas Technology Enterprise Corporation (KTEC), which was eliminated in FY 2011. This program leverages the state's innovation-based assets into partnerships with the private sector to create economic wealth for Kansas and helps small businesses use innovative processes and technologies to grow revenue and create jobs. The Department of Commerce has developed a return on investment-driven scorecard for this program and will

fund the program partners based on performance and the ability to leverage resources. The Governor recommends funding from the EDIF for this program of \$1,567,983 in FY 2014 and \$1,568,648 in FY 2015.

Creative Arts Industries Commission. The Governor recommends EDIF funding of \$200,000 in both FY 2014 and FY 2015 for the Creative Arts Industries Commission. The Commission is responsible for promoting and developing the creative industries sector of the Kansas economy and to expand creative industry related jobs. The commission is the result of the merger between the Kansas Arts Commission and the Kansas Film Commission, which was approved by the 2012 Legislature.

Medicaid Reform Employment Incentive. The Governor recommends \$500,000 from the EDIF in both FY 2014 and FY 2015 for the Medicaid Reform Employment Incentive. This program provides incentives for companies that employ and train individuals with disabilities. The program provides employers with \$5,000 per new employee hired who is currently receiving Medicaid developmental disability waiver services and \$3,000 per new employee hired who is currently receiving Medicaid physically disabled waiver services. This pilot program began in FY 2013 and was previously funded from the State General Fund.

Accelerate Entrepreneurship Program. The Governor recommends \$275,000 from the EDIF in both FY 2014 and FY 2015 for the new Accelerate Entrepreneurship Program. This program is designed to increase the number of entrepreneurs in the state by providing incentives to Kansas educational institutions for each student or faculty member who starts a new company with at least one other full time employee. The agency will develop detailed eligibility thresholds.

Board of Regents

Vocational Education Capital Outlay. The Governor recommends \$2,547,726 from the EDIF for both FY 2014 and FY 2015 to fund grants for Vocational Education Capital Outlay. The grants are distributed to community colleges and technical institutions to purchase equipment for training purposes. A 50.0 percent match from the institution is required.

Technology Innovation & Internship. For the Technology Innovation & Internship grants, the Governor recommends \$179,284 in both FY 2014 and FY 2015. The grants go to community colleges and technical institutions so that instructors may intern for short periods in private industry, keeping their skills up to date. The institutions must make a one-to-one match to receive the funds; it is often an in-kind match. The grants can also be used to fund innovative equipment for student training.

EPSCoR Program The Experimental Program to Stimulate Competitive Research (EPSCoR) Program combines federal and state dollars for research in science and engineering at the universities. The Governor recommends funding from the EDIF of \$993,265 in both FY 2014 and FY 2015.

Community College Competitive Grants. The Governor recommends \$500,000 from the EDIF for the Community College Competitive Grant Program in both FY 2014 and FY 2015. This Program receives a local match to develop innovative programs with private companies needing employees with specific job skills or to meet other industry needs that cannot be addressed with current funding streams.

Kansas State University—ESARP

Operations. For Kansas State University Extension System and Agriculture Research Program's Cooperative Extension Program (ESARP), the Governor recommends \$299,295 in FY 2014 and \$299,686 in FY 2015. The funding supports ESARP's general operations.

Wichita State University

Aviation Training & Equipment. The Governor recommends base funding from the EDIF for this

program of \$4,981,537 in both FY 2014 and FY 2015. The program supports the development of employees for the aviation industry. The state is a partner with aviation companies, the City of Wichita, and Sedgwick County in the development of the National Center for Aviation Training, commonly called NCAT. The Center trains thousands for high paying jobs in the aviation industry. State funding is administered by Wichita State University to provide equipment and assistance fitting with the program's curriculum.

Department of Agriculture

Agriculture Marketing Program. The Agriculture Marketing Program promotes the development of value-added agricultural products, and advances agricultural-based economic and rural development. The Governor recommends funding from the EDIF for this program of \$570,832 in FY 2014 and \$575,110 in FY 2015.

Department of Wildlife, Parks & Tourism

Tourism Division. The Tourism Division of the Kansas Department of Wildlife, Parks & Tourism is responsible for the general promotion of Kansas, administration of travel information centers in Goodland and Belle Plaine, and publication of the *Kansas! Magazine*. The division also works with the Wildlife and Parks programs to promote Kansas as the country's premier outdoor destination. The Governor recommends funding from the EDIF of \$2,110,842 in FY 2014 and \$2,116,334 in FY 2015.

Parks Program. The goal of the state parks program is to effectively manage, protect, and administer the state's 25 state parks. To support this goal, the Governor recommends funding from the EDIF of \$3,871,120 for FY 2014 and \$3,900,274 for FY 2015.

State Water Plan Fund

Water Plan Objectives

The Kansas Water Authority (KWA), with the assistance of the Kansas Water Office, annually reviews the *Kansas Water Plan* which provides the framework for the management, conservation, restoration, and protection of the state's water resources. The objectives of the *Kansas Water Plan* are established after extensive public discussion.

The KWA and the natural resources agencies provide guidance and recommend projects using monies in the State Water Plan Fund that protect the state's water quality and water supply issues. Priorities include preserving the life of the High Plains/Ogallala Aquifer, developing watershed restoration and protection plans, and creating regional public water supply strategies. Other purposes of the State Water Plan include:

Public Water Supply. Ensuring that sufficient surface water storage will be available to meet projected year 2040 state supply needs is a primary goal. It is also a priority to ensure that all public suppliers have adequate water treatment, storage, and distribution systems as well as the managerial and financial capability to meet federal Safe Drinking Water Act regulations.

Flood Management. Another objective is to reduce vulnerability to flood damage within identified areas.

This is achieved by preventing inappropriate development in flood-prone areas, improving forecasting and warning systems, restoring and protecting wetland areas, and using structural measures, such as dams, levees, and channel modifications.

Water Management. One goal established within the *Kansas Water Plan* is to promote water management programs such as the Water Resource Cost Share program in targeted areas to reduce the decline in water levels in the Ogallala Aquifer.

Water Quality Protection. Another water quality objective is to promote measures that reduce the average concentration of bacteria and dissolved solids, nutrients, metals, and pesticides that adversely affect the water quality of Kansas lakes and streams.

Riparian & Wetland Management. This objective is to maintain, enhance, or restore priority wetlands and riparian areas to prevent soil erosion.

Water-Based Recreation. A recreation-related objective is to increase the number of recreational opportunities at public lakes and streams.

Data & Research. Data collection, research projects, and information-sharing activities will focus on specific water resource issues as identified in the *Kansas Water Plan*.

| State Water Plan Fund | | | | |
|-----------------------------------|-------------------|----------------------|----------------------|----------------------|
| | FY 2012 Actual | FY 2013 Gov. Est. | FY 2014 Gov. Rec. | FY 2015 Gov. Rec. |
| Beginning Balance | \$ 4,119,113 | \$ 3,371,683 | \$ 1,622,621 | \$ 50,914 |
| Adjustments | 43 | -- | -- | -- |
| Adjusted Balance | \$ 4,119,113 | \$ 3,371,683 | \$ 1,622,621 | \$ 50,914 |
| Revenues: | | | | |
| Fee Revenue | 12,891,031 | 12,276,748 | 12,772,732 | 12,901,768 |
| Transfer to Agriculture | (270,000) | -- | -- | -- |
| Transfer from the EDIF | 2,000,000 | 2,000,000 | -- | -- |
| Clean Drinking Water Transfer | 300,000 | -- | -- | -- |
| Transfer to KCC for Well Plugging | (400,000) | (400,000) | (400,000) | (400,000) |
| Total Available | \$ 18,640,144 | \$ 17,248,431 | \$ 13,995,353 | \$ 12,552,682 |
| Expenditures: | | | | |
| State Water Plan Expenditures | 15,268,461 | 15,625,810 | 13,944,439 | 12,552,682 |
| Ending Balance | \$ 3,371,683 | \$ 1,622,621 | \$ 50,914 | \$ -- |

State Water Plan Fund

| Project or Program | FY 2014 | FY 2015 |
|-----------------------------------|--------------|--------------|
| Department of Agriculture | | |
| Interstate Water Issues | 497,684 | 447,916 |
| Water Use Study | 61,724 | 55,552 |
| Basin Management | 690,485 | 621,437 |
| Water Resources Cost-Share | 2,166,424 | 1,949,782 |
| Nonpoint Source Pollution Asst. | 2,066,415 | 1,859,774 |
| Conservation Reserve Enhance. | 499,913 | 449,922 |
| Aid to Conservation Districts | 2,326,934 | 2,094,241 |
| Watershed Dam Construction | 640,973 | 576,876 |
| Water Quality Buffer Initiatives | 277,759 | 249,983 |
| Riparian & Wetland Program | 169,742 | 152,768 |
| Lake Restoration/Management | 287,060 | 258,354 |
| Total--Dept. of Agriculture | \$ 9,685,113 | \$ 8,716,605 |
| University of Kansas | | |
| Geological Survey | \$ 26,841 | \$ 26,841 |
| Health & Environment--Environment | | |
| Contamination Remediation | 775,253 | 698,701 |
| Nonpoint Source Technical Asst. | 298,708 | 297,054 |
| WRAPS Program | 625,000 | 562,500 |
| TMDL Initiatives | 200,987 | 151,698 |
| Total--Health & Environment | \$ 1,899,948 | \$ 1,709,953 |
| Kansas Water Office | | |
| Assessment & Evaluation | 500,000 | 450,000 |
| GIS Database Management | 125,000 | 112,500 |
| MOU--Operations & Maintenance | 322,099 | 289,889 |
| Technical Assist. to Water Users | 405,408 | 364,867 |
| Stream Gaging | 480,030 | 432,027 |
| Wichita Aquifer Recharge Project | 500,000 | 450,000 |
| Total--Kansas Water Office | \$ 2,332,537 | \$ 2,099,283 |
| Total | \$13,944,439 | \$12,552,682 |

FY 2014 and FY 2015 fee fund revenue estimates are shown in the table above. The State Water Plan Fund relies on fee revenue to finance State Water Plan expenditures.

In addition to the fee revenue attributable to the fund, there are two annual revenue transfers to the State Water Plan Fund: \$6.0 million from the State General Fund (SGF) and \$2.0 million from the Economic Development Initiatives Fund (EDIF). The financial status of these other state funds requires adjusting this formula.

For FY 2012, the annual statutory transfer of \$6.0 million to the fund was reduced to \$1,348,245. For FY 2013, FY 2014, and FY 2015 the Governor eliminates the SGF transfer into the State Water Plan Fund. The EDIF transfer remained at \$2.0 million for FY 2012 and FY 2013; however, the EDIF transfer of \$2.0 million is eliminated in the Governor's recommendations for FY 2014 and FY 2015.

State Water Plan Fee Revenue

| | FY 2014 | FY 2015 |
|------------------------------|---------------|---------------|
| Municipal Water Fees | 3,356,638 | 3,485,674 |
| Fertilizer Registration Fees | 3,276,000 | 3,276,000 |
| Industrial Water Fees | 1,077,151 | 1,077,151 |
| Pesticide Registration Fees | 1,165,000 | 1,165,000 |
| Sand Royalty Receipts | 77,210 | 77,210 |
| Stock Water Fees | 341,444 | 341,444 |
| Clean Drinking Water Fees | 3,229,289 | 3,229,289 |
| Fines | 250,000 | 250,000 |
| Total | \$ 12,772,732 | \$ 12,901,768 |

Fund Summary

Projects related to water issues are largely financed through the State Water Plan Fund (SWPF). The table on the first page of this section summarizes actual and estimated State Water Plan Fund revenues and expenditures for FY 2012 through FY 2015 to illustrate the financial status of the fund. The approved level of State Water Plan Fund expenditures for FY 2012 was \$16,793,029 and actual expenditures were \$15,268,461. Since there was a substantial amount of unspent money that reappropriated to FY 2013, the beginning balance of \$3,371,683 allowed the Governor to recommend expenditures of \$15.6 million in FY 2013.

In addition to the transfers into the fund from the SGF and the EDIF, there is also an annual transfer of \$400,000 out of the SWPF to the Kansas Corporation (KCC) to be used for the investigation, remediation, and plugging of oil and gas wells that were abandoned prior to July 1, 1996. The transfer is recommended by the Governor at the \$400,000 level for years FY 2012 through FY 2015.

The beginning balance for FY 2014 is estimated to be \$1.6 million which will allow for expenditures of \$13.9 million in FY 2014, exclusively from fee revenue of \$12.8 million. For FY 2015, the estimated beginning balance of \$50,914 requires expenditures from the fund to be reduced by 10.0 percent to \$12.5 million. The estimate of fee revenue to the fund for FY 2015 is \$12.9 million.

Schedule 2.5 lists expenditures for the five agencies that use State Water Plan Fund monies for the years FY 2012 through FY 2015.

FY 2014 & FY 2015 Recommendations

The Governor's recommendations for expenditures from the State Water Plan Fund total \$13,944,439 for FY 2014 and \$12,552,682 for FY 2015 and are summarized in the table on the previous page, followed by more detailed descriptions of the recommendations. As mentioned earlier, expenditures have been reduced because the \$6.0 million revenue transfer from the State General Fund and the \$2.0 million transfer from the Economic Development Initiatives Fund to the State Water Plan Fund have been eliminated in both years.

Department of Agriculture

Interstate Water Issues. The Governor's recommendations of \$497,684 in FY 2014 and \$447,916 in FY 2015 are designed to protect Kansas' interests on the Arkansas River and the Republican River and to ensure interstate compact compliance related to the water litigation settlements for both rivers.

Water Use Study. Included in the Governor's recommended expenditures from the State Water Plan Fund is \$61,724 in FY 2014 and \$55,552 in FY 2015 for the program that ensures water quality control by collecting a variety of data; preparing public water supply reports; collecting public water supply rate information; and assisting with irrigation water use reports.

Basin Management. The Basin Management program works in cooperation with water right holders and local, state, and federal agencies to address stream flow depletions and groundwater declines in specific river basins. The program operates through a group of basin teams that include environmental scientists familiar with the geology and hydrology of the basins. The teams develop strategies to address water management techniques. The Governor recommends

expenditures of \$690,485 for FY 2014 and \$621,437 for FY 2015.

Water Resources Cost Share Program. State Water Plan expenditures of \$2.1 million in FY 2014 and \$1.9 million in FY 2015 are recommended by the Governor to enhance and conserve natural resources through the use of financial incentives to implement best management practices in partnership with farmers, ranchers, and other landowners.

Nonpoint Source Pollution Assistance. State Water Plan Fund support will enable the agency to assist landowners in planting native vegetation or establishing a variety of other conservation practices that protect surface and ground water quality. The Governor recommends expenditures of \$2.0 million for FY 2014 and \$1.9 million for FY 2015.

Conservation Reserve Enhancement Program. The Governor recommends State Water Plan Fund expenditures of \$449,913 in FY 2014 and \$449,922 in FY 2015 for this program that seeks to reduce irrigation water usage in targeted areas through the permanent retirement of water rights in over appropriated areas.

Conservation District Aid. The Governor recommends funding of \$2.3 million in FY 2014 and \$2.1 million in FY 2015 for the program that is distributed to local county conservation districts for natural resource conservation efforts according to a formula in statute that requires state funding to match the contributions made by counties.

Watershed Dam Construction Projects. The Governor recommends State Water Plan expenditures of \$640,973 in FY 2014 and \$576,876 in FY 2015 for the program that seeks to achieve flood reduction benefits to agricultural land, roads, bridges, utilities, and urban areas at a monetary level which exceeds dam construction costs by an average of 150.0 percent. The construction of flood detention and/or grade stabilization dams can also reduce or prevent sediment from depositing into public water supply lakes.

Buffer Initiatives. In order to enhance state participation under the federal Conservation Reserve Program (CRP) for the installation of riparian forest buffers and grass filter strips, the program provides state per acre rental payments in targeted water quality

areas. This reduces nonpoint source pollution runoff from cropland and marginal pasture acres enrolled in the program which improves water quality. The Governor recommends State Water Plan expenditures of \$277,759 in FY 2014 and \$249,983 in FY 2015.

Riparian & Wetland Protection Program. The program provides planning assistance to local conservation districts in the development of protection plans to restore riparian areas, wetlands, and wildlife habitats. Recommended expenditures from the State Water Plan Fund total \$169,742 in FY 2014 and \$152,768 in FY 2015.

Lake Restoration. The goal of this program is to assist local entities in need of financial assistance for systems that are near the end of their service life or have reduced capacity because of sedimentation. Recommended funding from the State Water Plan Fund is \$287,060 in FY 2014 and \$258,354 in FY 2015.

University of Kansas

Geological Survey. Included in the Governor's recommendations for the State Water Plan budget is funding for the Geological Survey for continuing analysis of water depletion in the Ogallala Aquifer. The study began in FY 2002, with funding of \$40,000, as a water resource priority. The recommended expenditure is \$26,841 annually through FY 2015.

Health & Environment—Environment

Contamination Remediation. The program goal of this program in KDHE is to address environmental contamination at sites where there is no responsible party identified or where the responsible party is unable to bear the costs for the needed corrective action. The funding is used for site assessments, investigations, corrective actions, and emergency responses. The Governor recommends State Water Plan funding of \$775,253 in FY 2014 and \$698,701 in FY 2015.

Nonpoint Source Technical Assistance. This program provides technical assistance as well as demonstration projects for nonpoint source pollution management at the local level. The Governor

recommends expenditures of \$298,708 for FY 2014 and \$297,054 for FY 2015.

Watershed Restoration & Protection Plans (WRAPS.) State Water Plan Fund expenditures of \$625,000 in FY 2014 and \$562,500 in FY 2015 will be used to assist local groups to work together to identify water quality and water resource issues within watershed districts, and then develop and implement local solutions to address those problems.

TMDL Initiatives. A TMDL (total maximum daily load) is the maximum amount of pollution a river or lake can withstand without violating surface water quality standards. Funding of \$200,987 in FY 2014 and \$151,698 in FY 2015 is recommended by the Governor to continue efforts to obtain flow data in basins where TMDLs are established.

Kansas Water Office

Assessment & Evaluation Program. Program staff members collect and compile information pertaining to a wide range of water resource conditions for statewide and basin-specific issues. All funding for the program is for studies targeted to implement priority water projects. The Governor recommends expenditures from the State Water Plan Fund of \$500,000 for FY 2014 and \$450,000 for FY 2015.

GIS Database Management. Information recorded in the agency's database is used to determine whether sufficient water storage will be available to meet projected year 2040 public water supply needs. The Governor recommends expenditures of \$125,000 for FY 2014 and \$112,500 for FY 2015.

MOU—Operations & Maintenance. In order to maintain and operate the reserve storage space purchased through a 1985 Memorandum of Understanding with the U.S. Corps of Engineers, the Governor recommends expenditures of \$322,099 for FY 2014 and \$289,889 for FY 2015.

Technical Assistance to Water Users. Monies in the State Water Plan are used by program staff members to provide technical assistance to municipalities through a contract with the Kansas Rural Water Association and to irrigators through contracts with Kansas State University. For FY 2014, the Governor

recommends expenditures of \$405,408 and expenditures of \$364,867 for FY 2015.

Stream Gaging. Since 1895, the State of Kansas has contracted with the United States Geological Survey to operate a network of stream gaging stations. These stations provide real-time streamflow and reservoir level data throughout the state, and this data are used to guide the state's water resource operations. The Governor recommends expenditures of \$480,000 for the program in FY 2014 and \$432,027 in FY 2015.

Wichita Aquifer Storage & Recovery Project. The recommendations of \$500,000 from the State Water Plan Fund for FY 2014 and \$450,000 for FY 2015 will supply state funding for the recovery program that injects treated surplus surface flows from the Little Arkansas River water into the equus beds aquifer for storage and later recovery. This collection and storage project is intended to provide water supply to Wichita through 2050. In addition to storage, the project also provides a hydraulic barrier to a brine plume adjacent to the river near Burton.